

ILLINOIS COMMERCE COMMISSION

ORDER

IP's filing is governed by Sections 6-102(b) and 7-102(A)(c) of the Act. In subsection (b) of Section 6-102, the first sentence provides as follows:

(b) The provisions of this subsection (b) shall apply only to (1) any issuances of stock in a cumulative amount, exclusive of any issuances referred to in item (3), that are 10% or more in a calendar year or 20% or more in a 24-month period of the total common stockholders' equity or of the total amount of preferred stock outstanding, as the case may be, of the public utility, and (2) to any issuances of bonds, notes or other evidences of indebtedness in a cumulative principal amount, exclusive of any issuances referred to in item (3), that are 10% or more in a calendar year or 20% or more in a 24-month period of the aggregate principal amount of bonds, notes and other evidences of indebtedness of the public utility outstanding, all as of the date of the issuance, but shall not apply to (3) any issuances of stock or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming or refinancing outstanding issues of stock, bonds, notes or other evidences of indebtedness

Subsection (A)(c) of Section 7-102 provides in part as follows:

(A) Unless the consent and approval of the Commission is first obtained or unless such approval is waived by the Commission or is exempted in accordance with the provisions of this Section or of any other Section of this Act:

* * *

(c) No public utility may assign, transfer, lease, mortgage, sell (by option or otherwise), or otherwise dispose of or encumber the whole or any part of its franchises, licenses, permits, plant, equipment, business, or other property, ...

None of the credit/debt authority that IP seeks in this proceeding will replace or refinance existing debt obligations.

III. IP'S PETITION

On August 30, 2006, in Docket No. 06-0332, the Commission approved \$150,000,000 of long-term financing for IP under the Credit Agreement dated July 14, 2006 ("Existing Credit Agreement"). IP reports that the 2007 Credit Agreement, for which approval is sought herein, was executed and delivered February 9, 2007 and is substantially similar to the Existing Credit Agreement. IP acknowledges that it is not authorized to borrow under the 2007 Credit Agreement until it receives the approval of the Commission. The authority sought by IP in this proceeding for borrowings of up to \$200,000,000 is in addition to the authority granted in Docket No. 06-0332.

The banks and other financial institutions (collectively “Lenders”) under the 2007 Credit Agreement will provide a loan or loans to IP in an aggregate principal amount not to exceed \$200,000,000 outstanding at any time (the “Available Amount”). Under the 2007 Credit Agreement, IP will be authorized to borrow and repay from time to time, provided that no borrowing shall be made thereunder after, and all amounts due thereunder shall be repaid no later than January 14, 2010. In addition, through January 14, 2010, IP will be able to request one or more of the Lenders to issue letters of credit on IP’s behalf to support IP’s business obligations. Outstanding letters of credit and amounts drawn under letters of credit, if not immediately reimbursed by IP, will constitute obligations under the 2007 Credit Agreement and are subject to the Available Amount limitation.

Each loan under the 2007 Credit Agreement will bear interest at a rate or rates per annum, which may be a fixed rate or a floating rate, based on market interest rates for similar loans and borrowers with credit and other characteristics similar to IP. Interest rates will be (i) based on the Lenders’ prime rate or the Federal funds rate plus an adjustment expected to be 50 basis points or (ii) based on the Eurodollar rate then in effect for the applicable borrowing period plus in the case of (i) or (ii) a “spread” (additional interest rate) based on IP’s applicable credit ratings. IP will be authorized to prepay any loan under the 2007 Credit Agreement at any time without premium or penalty (except for loans such as Eurodollar loans that have a specific interest period identified at the time of borrowing, in which case an early termination payment may be due). IP will pay facility and other fees and expenses under the 2007 Credit Agreement based on negotiations with Lenders at a level comparable to amounts paid by similarly situated borrowers. The 2007 Credit Agreement provides for an increased interest rate on outstanding obligations thereunder in the event of default.

IP’s obligations to the Lenders under the 2007 Credit Agreement as well as other obligations of IP to the Lenders as specified in the 2007 Credit Agreement and/or the Supplemental Indenture (as defined below) will be secured by the issuance by IP of Mortgage Bonds under a Supplemental Indenture under its General Mortgage Indenture and Deed of Trust dated November 1, 1992 (as amended and supplemented and as previously filed with the Commission, the “Company Indenture”). Such Mortgage Bonds will provide security for the loans and other obligations under or specified in the 2007 Credit Agreement and/or Supplemental Indenture and will have payment and interest rate provisions that match the provisions of loans under the 2007 Credit Agreement. IP will be entitled to a credit such that no payments will be due under the Mortgage Bonds so long as all amounts required to be paid under or pursuant to the 2007 Credit Agreement or other obligations specified in the Supplemental Indenture are paid. IP seeks approval of the Commission to enter into and deliver the Supplemental Indenture and the Mortgage Bonds as security for the obligations to the Lenders under and pursuant to the 2007 Credit Agreement and/or Supplemental Indenture under Section 7-102 of the Act.

To facilitate IP’s access to multiple Lenders and to take advantage of possible lower fees and more favorable terms than IP could obtain alone, the 2007 Credit

Agreement, like the Existing Credit Agreement, allows for borrowings thereunder by other Ameren subsidiaries: Central Illinois Public Service Company d/b/a AmerenCIPS, Central Illinois Light Company d/b/a AmerenCILCO, AmerenEnergy Resources Generating Company, and CILCORP Inc. (collectively "Other Borrowers"). Each of the Other Borrowers is a direct or indirect subsidiary of Ameren. The obligations of IP and the Other Borrowers will be several, not joint. IP will not have any liability for paying obligations of the Other Borrowers under the 2007 Credit Agreement and a default by an Other Borrower will not constitute a default by IP. Other Borrowers are parties to the 2007 Credit Agreement purely for administrative convenience and the possible reduction in fees payable by IP. IP will not provide credit support to Lenders for obligations of any other person. Accordingly, because there is no transaction and no management, construction, engineering, supply, financial or similar contract or arrangement for the purchase, sale, lease, or exchange of any property or for the furnishing of any service, property, or thing, between IP and any affiliated interest of IP in connection with the 2007 Credit Agreement, there will be no opportunity for cross-subsidization by IP of affiliated interests under the 2007 Credit Agreement. Borrowings under the 2007 Credit Agreement will be used to temporarily finance construction or improvement of or additions to IP's facilities needed to provide safe, adequate, and reliable electric or gas utility service, for working capital, to refinance other existing indebtedness, and for other corporate purposes.

At September 30, 2006, as reported in its Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission, IP had outstanding consolidated short-term borrowings of \$110,000,000 and consolidated total long-term debt, including indebtedness related to transitional funding trust notes issued by Illinois Power Special Purpose Trust of \$943,000,000. IP's consolidated capitalization ratios at that date, and as adjusted to take into account the maximum expected borrowings available to IP under the Existing Credit Agreement and the 2007 Credit Agreement (\$350,000,000), and the use of proceeds therefrom to refinance outstanding short-term borrowings on that date, were as follows:

	<u>Actual</u>	<u>As Adjusted</u>
Common Equity	54%	49%
Preferred Stock	2%	2%
Long-Term Debt	39%	49%
Short-Term Debt	<u>5%</u>	<u>---</u>
Total	100%	100%

IP understands that it will be required to pay a fee to the Commission under Section 6-108 of the Act in connection with entering into the 2007 Credit Agreement in the amount of \$480,000 (\$0.24 per \$100 of the maximum principal amount outstanding at any time under the 2007 Credit Agreement), which will be payable within 30 days of the service of the order herein. IP also requests that the Commission assign one

Identification Number to be placed on the face of the 2007 Credit Agreement or promissory notes, if any, thereunder and one Identification Number to be placed on the face of the Mortgage Bonds in accordance with Section 6-101 of the Act. IP believes that the proposed transactions outlined in the Petition will not be detrimental to the public interest, are for the lawful purposes of IP, and the amounts to be borrowed under the 2007 Credit Agreement are reasonably required for such purposes.

IV. STAFF'S ANSWER

Staff reviewed the Informational Statement, Article VI, and Section 7-102 of the Act. Staff asserts that IP's proposal is subject to Section 6-101 of the Act, which requires the Commission to provide proper identification numbers on the proposed 2007 Credit Agreement or promissory notes and on the Mortgage Bonds when issued. Subsection (a) of Section 6-102 of the Act, Staff continues, provides that prior to the issuance of stocks, notes, and other evidences of indebtedness payable at periods of more than 12 months the public utility shall first receive a Commission order authorizing the issue stating the amount and the purpose for the financing and that in the opinion of the Commission the money, property, or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order. In Staff's opinion, the proceeds of the borrowing are reasonably required to temporarily finance construction or improvement of or additions to IP's facilities needed to provide safe, adequate and reliable electric or gas utility service, for working capital, to refinance other existing indebtedness, and for other corporate purposes. Staff states further that the issuance of the mortgage bonds as security under the revolving credit agreement is not contrary to the public interest since it will enhance the liquidity of the utility by providing IP with access to capital for the purposes specified. Staff also asserts that IP's proposal is subject to subsection (b) of Section 6-102, which requires the Petition filed by IP and a Commission order in conformance with subsection (a). With regard to Section 6-108, Staff agrees with IP that this section is applicable to the proposal. Staff states that IP must pay an amount equal to 24 cents for every \$100 of the maximum principal amount of mortgage bonds authorized by the Commission. Staff calculates that the 6-108 fees on the \$200,000,000 are \$480,000.

Section 7-102 of the Act requires the consent and approval of the Commission before public utilities may enter into certain specified transactions. The Commission may approve such transactions if it is satisfied that such petition should reasonably be granted and that the public will be inconvenienced thereby. The Commission may attach conditions to its approval as circumstances require and as it deems proper. The Commission shall impose conditions if necessary to protect the interest of minority and preferred stockholders. In Staff's opinion, the Petition should reasonably be granted as requested by IP and the public will be inconvenienced thereby.

Staff also notes that the proposal is subject to 83 Illinois Administrative Code 240, "Reports of Issuance and Sale or Disposal of Securities and the Application of Proceeds (General Order 129)" ("Part 240"). Part 240 requires petitioner to file reports

relative to the issuance and sale of the Mortgage Bonds and application of the proceeds, unless the Commission order provides otherwise.

In summary, Staff recommends that the Commission issue an order, pursuant to Sections 6-102(a) and 7-102, authorizing the entry into the \$200,000,000 revolving credit agreement described herein and the issuance of mortgage bonds as security for borrowings thereunder. Staff further recommends that the Commission order IP to pay a \$480,000 fee pursuant to Section 6-108 of the Act and to file reports relating to the issuance of the securities approved in this order pursuant to Part 240

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the record herein, is of the opinion and finds that:

- (1) IP is a corporation engaged in the sale and distribution of electricity and gas in portions of the State of Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over IP and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) subject to the conditions set forth herein, P's proposed entry into the 2007 Credit Agreement, proposed issuance of up to \$200,000,000 of promissory notes or evidence of indebtedness pursuant to the 2007 Credit Agreement, and proposed issuance of Mortgage Bonds to secure obligations under the 2007 Credit Agreement should be approved in accordance with Sections 6-102(b) and 7-102 of the Act as set forth below;
- (5) borrowings under the 2007 Credit Agreement should be used to temporarily finance construction or improvement of or additions to IP's facilities needed to provide safe, adequate and reliable electric or gas utility service, for working capital, to refinance other existing indebtedness, and for other corporate purposes;
- (6) the funds to be obtained from the issuance of the debt are reasonably required for the purposes described herein;
- (7) in accordance with Section 6-101, IP should cause the following identification number to be placed on the face of the 2007 Credit Agreement (or any promissory note issued thereunder): Ill. C. C. No.

6411; and shall cause the following identification number to be placed on the face of the Mortgage Bonds: Ill. C. C. No. 6412;

- (8) IP should comply with the reporting requirements of Part 240; and
- (9) IP should pay a fee in the amount of \$480,000 in accordance with Section 6-108 of the Act, this fee should be paid no later than 30 days after service of this Order.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Illinois Power Company d/b/a AmerenIP's proposed entry into the 2007 Credit Agreement, proposed issuance of up to \$200,000,000 of promissory notes or evidence of indebtedness pursuant to the 2007 Credit Agreement, and proposed issuance of Mortgage Bonds to secure obligations under the 2007 Credit Agreement described herein is not subject to the provisions of Section 6-102(d) of the Public Utilities Act, and is hereby approved in accordance with Sections 6-102(b) and 7-102 of the Public Utilities Act.

IT IS FURTHER ORDERED that Illinois Power Company d/b/a AmerenIP shall comply with Findings (5), (7), (8), and (9) of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 6th day of March, 2007.

(SIGNED) CHARLES E. BOX

Chairman